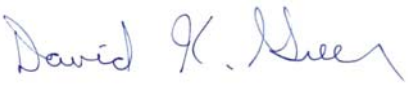


2010 REGULAR SESSION
ACTUARIAL NOTE SB 97

Senate Bill 97 SLS 10RS-299 Reengrossed with Senate Floor Amendments #1994 Author: Senator Daniel Morrish Date: April 27, 2010 LLA Note SB 97.03 Organizations Affected: Teachers' Retirement System of Louisiana (TRSL) RE +\$3,760 FC SG	The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor.  David K. Greer, CPA Assistant Legislative Auditor and Director of Performance Audit and Actuarial Services
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Bill Header: TEACHERS RETIREMENT. Provides for a change in beneficiary under certain circumstances.

Cost Summary:

Actuarial Cost/(Savings) to Retirement Systems and OGB	\$0
Total Five Year Fiscal Cost	
Expenditures	\$3,760
Revenues	\$0

Estimated Actuarial Impact:

The chart below shows the estimated increase/(decrease) in the actuarial value of benefits, if any, attributable to the proposed legislation. Note: it includes the present value cost of fiscal costs associated with benefit changes. It does **not** include present value costs associated with other fiscal concerns.

	Increase (Decrease) in
Actuarial Cost (Savings) to:	The Actuarial Present Value
All Louisiana public retirement systems	\$0
Other Post Retirement Benefits	\$0
Total	\$0

Estimated Fiscal Impact:

The chart below shows the estimated fiscal impact of the proposed legislation. This represents the effect on cash flows for government entities including the retirement systems and the Office of Group Benefits, as well as other fiscal concerns.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	3,760	0	0	0	0	3,760
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	\$ 3,760	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,760

REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	0	0	0	0	0	0
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Bill Information:

Current Law

Under current law, a member of TRSL who elects to retire from service may receive the maximum annuity payable for his lifetime or an optional annuity that provides various benefits to a beneficiary. A retiring member who elects to receive his allowance in under one of the following optional forms of payment - options 2, 2A, 3, 3A, 4, or 4A – agrees to accept a reduced benefit during his lifetime so that benefits will be payable for the life of his or her survivor if he should die first.

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The selection of the maximum form of benefit or an optional form of benefit is made at the time of retirement and is irrevocable unless:

- 1. The member selected option 2, 2A, 3, 3A, 4, or 4A, and
- 2. The member’s spouse was designated as the beneficiary, and
- 3. The member and his spouse are divorced, and
- 4. The spouse’s survivorship right’s under the optional form of benefit have been relinquished under the divorce decree.

If all the above conditions are satisfied, the benefit payable to the retiree will be increased to the amount the retiree would have received had he selected the maximum benefit at retirement instead of the option actually chosen. The maximum benefit however, will be reduced to ensure that the actuarial present value of the new benefit payable for the remaining life of the member will be equal to the actuarial present value of the benefit that would have been over the remaining lifetimes of the member and his former spouse.

Proposed Law

SB 97 provides a member satisfying the above criteria with another alternative if:

- 1. The retiree has been remarried for at least 10 years.
- 2. The retiree files a change in beneficiary designation on or before August 2, 2010.

Such a retiree under SB 97 will have the right to change the beneficiary, under the option originally selected, from Spouse #1 to Spouse #2. The retirement benefit payable for the joint lifetimes of the retiree and Spouse #2 shall be the actuarial equivalent of the benefit payable for the lifetime of the retiree or the joint lifetimes of the retiree and Spouse #1, whichever is applicable.

Any cost associated with the change in beneficiary must be borne by the retiree. The retiree may pay for any additional cost by a reduction in benefit or by a suspension of monthly payments.

Implications of the Proposed Changes

Given the limited conditions under which a retiree would qualify to change beneficiaries, it is apparent that there are very few retirees who would benefit from this legislation.

Cost Analysis

Analysis of Actuarial Costs

Retirement Systems

There is no actuarial cost or savings associated with SB 97.

Other Post Retirement Benefits

Actuarial costs or savings associated with SB 97 for other post retirement benefits are negligible.

Analysis of Fiscal Costs

If SB 97 is enacted, all current retirees who have been retired for more than ten years will have to be notified of the right to rename a beneficiary during the window between July 1, 2010 and August 2, 2010. TRSL’s administrative cost is estimated to be \$3,760.

Dual Referral

Senate	House
<input type="checkbox"/> 13.5.1 ≥ \$100,000 Annual Fiscal Cost	<input type="checkbox"/> 6.8(F) ≥ \$100,000 Annual Fiscal Cost
<input type="checkbox"/> 13.5.2 ≥ \$100,000 Annual Tax or Fee Change	<input type="checkbox"/> 6.8(G) ≥ \$100,000 Tax or Fee Increase or a Net Fee Decrease